

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7438

BILL NUMBER: HB 1758

NOTE PREPARED: Jan 11, 2003

BILL AMENDED:

SUBJECT: Energy Assistance Contingency Fund.

FIRST AUTHOR: Rep. Klinker

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State

Summary of Legislation: This bill creates the Energy Assistance Contingency Fund to be used for low income home energy assistance and efficiency measures. The bill appropriates heating fuel Sales Tax revenue to the fund. The bill provides that the Division of Family and Children shall administer the fund.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Department of State Revenue:* The bill could require a number of changes related to the collection and administration of Sales Tax on natural gas and heating oil. Currently, aside from the Sales Tax collected on certain motor fuels, Sales Tax revenue is not directly identifiable by the product sold. The bill would require the Department to make the administrative changes necessary to track and separate collections from the sale of natural gas and heating oil from other Sales Tax revenue. It is estimated that these changes will cost the Department less than \$50,000.

Division of Family and Children: The Home and Community Services Section within the Division of Family and Children would be responsible for the administration and distribution of any funds collected in the Energy Assistance Contingency Fund. While this bill could increase the number of households served by the Division, it is expected to have a negligible administrative impact. The bill provides that a percentage of the revenue collected may be used for administrative costs. (See Explanation of State Revenues below).

Explanation of State Revenues: *General Fund Revenue:* This bill will effectively transfer the current General Fund portion of Sales Tax revenue collected on natural gas and heating oil which is *above* an amount equal to 49.192% of the total yearly average Sales Tax revenue attributable to natural gas and heating oil sales from FY 2000 and FY 2002 to the Energy Assistance Contingency Fund. A fund created by this bill.

The transfer of this increment is estimated to reduce state General Fund revenue by \$10.5 M in FY 2004 and \$12.6 M in FY 2005. Additionally, the bill will shift approximately \$40.1 M in FY 2004 Sales Tax General Fund collections to FY 2005. It should be noted that the incremental revenue generated by this proposal includes estimated increases in the price and quantity of fuel sold in Indiana as well as the increase due to the Sales Tax rate increase provided in P.L. 192-2002(ss).

Background Information: Based on consumption data and price projections from federal sources, it is estimated that the Sales Tax on commercial and residential sales of natural gas and heating oil will generate approximately \$102.9 M in FY 2004 and \$107.1 M in FY 2005. Under current law, *all* revenue from the Sales Tax on heating oil and natural gas sales is distributed, as is all revenue from the Sales Tax, to the Property Tax Replacement Fund (50%), the State General Fund (49.192%), the Public Mass Transportation Fund (0.635%), the Commuter Rail Service Fund (0.14%), and the Industrial Rail Service Loan Fund (0.033%). Under this bill, the Department of State Revenue is required to instead transfer 49.192 % of the Sales Tax collected on commercial and residential sales of natural gas and heating oil to the Auditor of State. In FY 2004 this transfer is expected to be approximately \$50.6 M. In FY 2005 the transfer is expected to equal \$52.7 M.

Based on data obtained from the U.S. Energy Information Agency, between FY 2000 and FY 2002, commercial and residential sales of natural gas and heating oil generated an average of \$84.2 M in state Sales Tax revenue.

Adjusting that amount for the current General Fund distribution, 49.192%, as changed by P.L. 192-2002 (ss), yields approximately \$40.1 M.

Since the General Fund portion of the Sales Tax on residential and commercial sales of natural gas and heating oil is estimated to generate approximately \$50.6 M in FY 2004, approximately \$10.5 M (\$50.6 M - \$40.1 M = \$10.5 M) would be affected by this proposal. Instead of being distributed to the state General Fund, the \$10.5 M in revenue would be distributed to the Energy Assistance Contingency Fund. Other funds receiving Sales Tax revenue would not be affected by this proposal.

Under current law, Sales Tax revenue is distributed to the various funds upon the Department of State Revenue's receipt of the remittance. This bill would delay the deposit of 49.192% of the amount collected on natural gas and heating oil until the beginning of the proceeding fiscal year. Under the bill, on or before the end of each fiscal year, the Auditor would then transfer any revenue in excess of the \$40.1M average to the Energy Assistance Contingency Fund. The remaining \$40.1M would be transferred to the state General Fund on July 1 of the proceeding fiscal year.

Administration of the Energy Assistance Contingency Fund: This bill would make available approximately \$10.5 M in FY 2004 and \$12.6 M in FY 2005 for energy assistance programs to households at or below 200% of the federal poverty level. The Division of Family and Children estimates that there are approximately 635,000 households in Indiana that would be eligible to receive assistance through programs funded, in part, by the Energy Assistance Contingency Fund. Under this proposal, 25% of the revenue in the Fund would be used to fund home energy efficiency measures and 75% would be used for low-income energy assistance. The proposal would allow the Division, or a grantee responsible for administering the program, to use a portion of the Fund to cover administrative costs.

The Energy Assistance Program is administered by the Housing and Community Services Section of the Division of Family and Children. The Energy Assistance Program is currently funded by the Low-Income Home Energy Assistance Program (LIHEAP) federal block grant and funds appropriated from the state Oil

Overcharge accounts. In 2001, the program provided assistance to 128,000 households at or below 125% of the federal poverty level. Additionally, 22,000 households received assistance with cooling costs and 1,865 dwellings received weatherization assistance.

Background information (Natural Gas and Heating Oil): Future Sales Tax collections on the sale of natural gas and heating oil are dependent upon the price of the fuel and the quantity consumed by Indiana residents. The analysis used current consumption data and price projections supplied by the U.S. Department of Energy, Energy Information Agency (EIA), to estimate past and future Sales Tax collections. It is important to note that fluctuations in the price of fuels will directly influence the amount of Sales Tax collected.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Housing and Community Services Section, Division of Family and Children; Auditor of State.

Local Agencies Affected:

Information Sources: Department of State Revenue; Housing and Community Services Section- Division of Family and Children; U.S. Bureau of Labor Statistics, *Consumer Expenditure Survey*; U.S. Census Bureau; U.S. Department of Energy, Energy Information Agency.

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